

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Grosse Pointe Farms, Michigan</u>	County <u>Wayne</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>October 29, 2004</u>	Date Accountant Report Submitted To State: <u>December 17, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address <u>10 South Main Street, Suite 200</u>	City <u>Mount Clemens</u>	State <u>MI</u>	ZIP <u>48043</u>
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Grosse Pointe Farms, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information**

**June 30, 2004**

# **Comprehensive Annual Financial Report**

## **City of Grosse Pointe Farms, Michigan**

**For the Fiscal Year Ended June 30, 2004**

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### **City Council**

James C. Farquhar - Mayor

Charles S. "Terry" Davis III

Joseph T. Leonard

Douglas F. Roby

Therese Joseph

Peter W. Waldmeir

Louis Theros

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Shane L. Reeside - City Manager

John Modzinski - City Controller

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### **Audit Committee**

Charles S. "Terry" Davis III

James C. Farquhar

Louis Theros

# City of Grosse Pointe Farms, Michigan

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# City of Grosse Pointe Farms, Michigan

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## **Introductory Section**

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## City of Grosse Pointe Farms

90 Kerby Road, Grosse Pointe Farms, Michigan 48236-3161  
phone 313 885.6600 fax 313 885.0917

29 October, 2004

*Mayor*  
James C. Farquhar  
*Mayor Pro-Tem*  
Charles S. "Terry" Davis III

*Councilmembers*  
Therese M. Joseph  
Joseph T. Leonard  
Douglas F. Roby, Jr.  
Louis Theros  
Peter W. Waldmeir  
*Attorney*  
William T. Burgess  
*City Manager / City Clerk*  
Shane L. Reeside  
*Asst. City Mgr.*  
Matthew Tepper

*Treasurer*  
Marge M. Foster  
*Controller*  
John L. Modzinski  
*Director of Public Service*  
Terrance R. Brennan

To the Honorable Mayor and City Council  
City of Grosse Pointe Farms  
Grosse Pointe Farms, Michigan 48236

With this letter, we transmit the City of Grosse Pointe Farms' Comprehensive Annual Financial Report (CAFR) for the fiscal year which ended June 30, 2004. This report has been prepared pursuant to, and in compliance with, State statutes which require the City to publish a complete set of financial statements within six months of the close of each fiscal year. These statements are in compliance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

The financial statements have been prepared by the City Controller's Department for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties. Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The City of Grosse Pointe Farms' financial statements have been audited by Plante & Moran, PLLC. The purpose of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Grosse Pointe Farms' financial statements for the year ending June 30, 2004 are fairly presented in conformity with GAAP. Plante & Moran's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the City. The City provides a full range of services including police and fire protection, sanitation services, recreational activities, parks, construction and maintenance of streets and infrastructures and the operation of a water utility system.

#### ECONOMIC CONDITION & OUTLOOK

The City of Grosse Pointe Farms is an affluent, suburban community located in the northeast corner of Wayne County and nestled among its four Grosse Pointe neighbors between the City of Detroit on its west and Lake St. Clair on its east. Its population of 9,764 is distributed among almost 3,800 households, having a median household income of \$100,153 and an average per capita income of \$54,846. The median value of an owner-occupied residence in the City is \$295,100. The labor force is composed largely of managerial and professional personnel, of which over 70% has some amount of college education. The unemployment rate among Farms' residents is less than 2%.

The average home sale price has virtually doubled over the past decade, illustrating the strength of the community as an attractive location to settle and raise a family. This is important, as the largest single source of revenue is property taxes. A total of 95 percent of the tax roll is residential.

The City is ideally situated in relation to major transportation routes, including I-94 and I-696. Its location along Lake St. Clair provides a scenic and recreational asset of incalculable value. The reputation for excellence of the Grosse Pointe Public School System is widely recognized and draws families to the community. But more importantly, the City itself is committed to preserving and enhancing the viability of the community, its history and heritage, the quality of its housing stock, the repair and replacement of its infrastructure, the safety and welfare of its citizens and visitors, the aesthetics of its environs, the provision of cost efficient services, and the special enhancements that make a city a community.



Currently, the State of Michigan is in an economic slump. Approximately 7 percent of the City's total revenues comes from sales tax that is collected by the State and shared with local units of government. Due to reductions in statewide collections of state taxes, the State government has retained a high portion of the sales tax in order to balance its own budget. This has resulted in a decrease in state-shared revenue in the current year, and further reductions are being anticipated by the City for the near future.

In conclusion, the economic outlook for the City of Grosse Pointe Farms continues to be strong. The City has maintained a strong financial position as a result of significant gains in property tax receipts, which are generated by the continued strength of the local economy and City Council's and management's prudent budgeting practices.

#### MAJOR INITIATIVES

##### **For the Year:**

An important initiative for any fiscal year is securing and protecting the stabilization of the total fund balance position, while addressing current and future capital outlay requirements. Through a series of budgetary actions and careful control of expenditure requests, this initiative has been achieved. While reducing the tax rate each year over the past three years, the City has maintained the lowest operating millage in the Grosse Pointes. Additionally, in past years, we have been able to grow the surplus by \$979,249 in FY 2000-2001, and \$9,342 in FY 2001-2002. However, in fiscal year 2002-2003, the City used \$554,399 of fund balance to implement a leaf collection program, purchase a Vactor Jet for sewer cleaning, and purchase a home in the Farms, which was originally intended to create parking on the 'Hill', but now will be resold. With an accounting change adding \$317,904 to the beginning fund balance in FY 2002-2003, the total beginning fund balance of the General Fund in FY 2003-2004 totals \$3,638,899. In FY 2003-2004, the City added \$240,418 to its fund balance in the General Fund, of which \$1,699,746 is reserved or designated for future capital outlay and \$2,179,571 is undesignated.

A second area of emphasis this past year has been in our recreation infrastructure. The City of Grosse Pointe Farms is noted for its exceptional recreational amenities. In preparation for a major remodeling or reconstruction of the Pier Park Recreation Building, the maintenance area of the current building has been moved to the south side of the Pier Park parking lot where it was combined with the outmoded pool filter building to create one structure. Because of its proximity to the main swimming pool and to Lake Shore Road, this building was designed to be architecturally appealing, similar in design to the recently renovated pool bathhouse.

With this work completed, the City is now in the process of working with stakeholders in the community to develop and construct a new Community building at the Pier Park. It will be the centerpiece that will anchor all the improvements that have been completed at the Pier Park during the past decade. It is believed that the Community Center will significantly contribute to the desirability of residing in Grosse Pointe Farms. Most importantly, it will be a wonderful facility for community activities and family gatherings alike.

The City has budgeted capital project funds to pay for debt service for this project. In addition, the Grosse Pointe Farms Foundation, a non-profit organization, has committed to raising private funds for this project.

Improvements have been made at the Pier Park beach as well. In years past, the City experienced frequent beach closures because of high bacteria levels. Several factors probably influence bacteria level, some of which we may have little or no control over. The sewer separation project, completed in 2001, should help significantly. However, the City has worked with experts at the University of Michigan and at Environmental Consulting & Technology regarding a plan to improve circulation and dissolved oxygen content within the beach area. Council worked with City administration to implement this experimental approach. This past year was the first full year of operation of this equipment and there were only a couple of days that the beach was closed which followed significant rains. Other improvements at the beach area include a new walkway and an ornamental clock.

At Kerby Field, the City's other recreational area, the City is working with a private communications provider to construct a new warming building. This building will be used in the summer for a wide variety of recreational activities and will feature new ADA accessible bathrooms, a main room with fireplace, and a concessions area. The attic space will provide the infrastructure to bring improved wireless communication access to the community. It is intended to use lease revenue from the attic space to pay the debt for construction of this new facility.

Third, our business districts continue to thrive. The City of Grosse Pointe Farms has no industrial base. Approximately 4% of the City's state equalized value is commercial property, located primarily in two areas: a one mile strip of shops on its border with Detroit along Mack Avenue, and its central business district know as the "Hill". Though these areas make up a small part of the overall community in terms of geography, they are vitally important to the quality of life our residents enjoy. Both areas have experienced resurgence and suffer few storefront vacancies today. Council has approved the construction of a new bank building on the Hill which will serve as an architectural anchor to this quaint business district. The opening of yet another fine dining establishment in the district is anticipated for the coming year.

Fourth, public safety continues to be a top priority. The City provides a high level of police, fire and ambulance service. Emphasis continues to focus on technology enhancements. The City has completed its upgrade to an 800 MHz digital radio system that interconnects with other communications systems on a regional basis. Grosse Pointe Farms, being the operating municipality for the consortium communities of the Grosse Pointes and Harper Woods, purchased the infrastructure on behalf of the other cities and oversaw its installation during calendar year 2001. The City has also begun the implementation of a two-year phase of CLEMIS which provides in car computers giving public safety officers access to vital information literally at their fingertips.

In addition to the accomplishments addressing infrastructure needs, the City continues to implement efficiencies in various operating departments in an ongoing effort to provide excellence in city services.

#### **For the Future:**

Although temporary recreational use of the City owned Mack and Moross property was implemented this year with the creation of a soccer field, the planning for the future development of the property will consume a great deal of effort in the coming years. It is highly unlikely that a strategically located seven-acre parcel of property will again become available. This fact underscores the importance this property possesses for addressing essential needs. Other potential resources must also be investigated so that they may be efficiently utilized to meet expressed and prioritized demands.

Also this past year the City was part of a regional power outage that impacted more than 22 million people. It reemphasized the need for prudent emergency preparation. Though the City did an excellent job managing the ordeal and was the only southeastern Michigan community with uninterrupted water service because of a back up generator and our own filtration plant, we will continue to evaluate how to adequately prepare for similar outages or other potential disasters in the future.

Other infrastructure issues include the need to: update equipment and initiate needed maintenance projects in the water and sewage pumping stations; update the City Hall's HVAC system; meet new stringent elicit discharge requirements and continue the accelerated program of repavement of roads that are in disrepair. Of paramount importance will be broadened efforts to make government more efficient and effective, improving service levels while decreasing costs where possible. Reengineering government to make it more responsive to our rapidly changing world, to citizen and employee needs, will be the test of future success.

### FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

#### **Budgeting Controls**

The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General, Special Revenue, Capital Projects and Debt Service Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## General Government Functions

The following schedule presents a summary of all governmental fund type revenues for the fiscal year ended June 30, 2004 and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue Source</u>	<u>FY 2004 Amount</u>	<u>Percent Of Total</u>	<u>Increase &lt;Decrease&gt; from 2003</u>	<u>Percent Increase &lt;Decrease&gt;</u>
Property taxes	\$ 8,791,286	70.00%	\$ 114,137	1.32%
Licenses and permits	243,552	1.94%	(19,862)	-7.54%
Federal sources	117,992	0.94%	59,217	100.75%
State sources	1,445,931	11.51%	(23,608)	-1.61%
Charges for services	1,140,423	9.08%	160,414	16.37%
Fines and forfeitures	425,862	3.39%	(1,242)	-0.29%
Interest	261,541	2.08%	(62,559)	-19.30%
Other	<u>133,229</u>	<u>1.06%</u>	<u>(90,550)</u>	<u>-40.46%</u>
Total	<u>\$ 12,559,816</u>	<u>100.00%</u>	<u>\$ 135,947</u>	<u>1.09%</u>

Property tax revenue would have increased 3.4%, if the tax rate would have remained the same, as home improvements and reconstruction continues to be a driving force in increasing taxable S.E.V.'s. The state's economic slowdown has again caused a decline the City's State-shared revenue. Charges for Services increased greatly due to a home alarm registration fee billed out in FY2004; this fee is billed out once every five years. Declining interest rates have further reduced interest revenue, as overnight interest rates have dropped from 3.9% in FY 2001, to 1.6% in FY 2002, to .92% in FY 2003 and to .82% in FY 2004. Recent Federal Reserve Bank rate increases have brought overnight rates up to 1.49% by the date of this report. However, increasing the overnight rates will not necessarily move up longer-term investment rates, most of which the City's reserves are invested. The City's long-term investment strategy has reduced the impact of the Federal Reserves interest rate cuts. However, future interest earnings will continue to decline as current investments mature, and are replaced with those with lower yield rates.

The following schedule presents a summary of all governmental fund type expenditures for the fiscal year ended June 30, 2004 and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent Of Total</u>	<u>Increase &lt;Decrease&gt; from 2003</u>	<u>Percent Increase &lt;Decrease&gt;</u>
General government	\$ 1,028,628	8.49%	\$ 78,471	8.26%
Public safety	4,234,782	34.95%	339,832	8.72%
Public works, drains	2,483,105	20.49%	91,218	3.81%
Rubbish, streets				
Public service	562,624	4.64%	(20,526)	-3.52%
Municipal Court	259,611	2.14%	7,124	2.82%
Parks and harbor	921,950	7.61%	79,483	9.43%
Other functions, CDBG	1,253,656	10.34%	(255,670)	-16.94%
Capital outlay	814,265	6.72%	(1,505,363)	-64.90%
Debt service	<u>559,305</u>	<u>4.62%</u>	<u>19,329</u>	<u>3.58%</u>
Total	<u>\$ 12,117,926</u>	<u>100.00%</u>	<u>\$ (1,166,102)</u>	<u>-8.77%</u>

Public safety expenditures increased at a rate greater than inflation, as new employees are moving up the pay scale, health care costs rose almost 11% and all weapons were replaced during the fiscal year. Operational expenses for the Parks and Harbor rose because energy costs increased almost 50% during the year. Capital Outlay declined to a more 'normal' expenditure level, as a maintenance facility and water spray pad playground was built at the Pier Park, as well as the purchase of a \$600,000 fire truck, occurred last year.

### **General Fund Balance**

The total fund balance of the General Fund increased by \$240,418 to \$3,879,317. \$83,862 was reserved for inventories and prepaid items, and \$1,615,884 was designated for subsequent years' Capital Outlay, leaving an undesignated fund balance of \$2,179,571.

## **Enterprise Operations**

The City operates its own water supply and sewage pumping system. The operating revenue of the Water and Sewer Fund amounted to \$3,043,390, which is a decrease of \$180,815 from the preceding year. During the same period, operating expenses, excluding depreciation, were \$3,239,973. After providing for depreciation, the system experienced an operating loss of \$473,761.

## **Pension Trust Fund Operations**

The operations of the Public Safety Officers and General Employees Retirement Systems produced healthy returns during the fiscal year, posting a strong gain of about 12.7%. The System's reserves increased \$1,915,378 (PSRS) and \$1,078,950 (GERS) respectively. Annual actuarial valuation continues to be strong, as funding levels are over 100% for both systems.

## **Debt Administration**

At June 30, 2004, the City had \$9,662,142 of general obligation debt outstanding, including an installment purchase agreement of \$534,709. The net direct tax supported debt is also \$9,662,142, and is the equivalent of \$989.08 per capita and represents less than two percent of the City's state equalized valuation. Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on ten percent of total equalized value of real and personal property. As of June 30, 2004, the City's general obligation bonded debt of \$9,700,000 was well below the legal limit of \$71,116,204.

## **Cash Management**

Cash temporarily idle during the year was invested in demand deposits; certificates of deposit, physical and negotiable; bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; and government pooled investment accounts. Yields on investments ranged from about .80% in pooled investment accounts, and 1.75% to 6.95% in CD's and obligations of the United States. The pension trust and nonexpendable trust funds' investment portfolios also include corporate bonds and stocks.

The City administers an active cash management and investment program. The primary goals are to maximize the amount of cash available for investments, to earn the maximum financial return on available funds, and to safeguard the invested principal. The City takes full advantage of temporary idle funds, which also includes vendor payments. To ensure the most competitive rates on investments, the cash resources of the individual funds, excluding certain fiduciary funds, are combined to form a pool of cash for investment.

## **Risk Management**

The City has entered into a joint powers agreement with other Michigan units of government by joining the Michigan Municipal Liability & Property Pool for its general liability insurance, including auto and public official liability as well as property damage insurance. The City has also established a self-insured worker's compensation program with third party administration and reinsurance coverage for claims over \$375,000.

## **OTHER INFORMATION**

### **Independent Audit**

The City Charter and state statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Plante & Moran, PLLC, was selected by the City Council. The auditor's report on the general purpose financial statements and combining and individual fund financial statements is included in the financial section of this report.

### **Certificate of Achievement**

The Government Finance Officer's Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grosse Pointe Farms for its comprehensive annual financial reports for the fiscal year ending June 30, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Grosse Pointe Farms has received a Certificate for the last eleven consecutive years (fiscal years 1993-2003). We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements, and are submitting it to the GFOA.



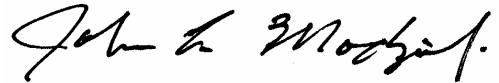
## **Acknowledgements**

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the accounting staff as well as various employees throughout the City. Our sincere appreciation is expressed to each of them as well as to the City Council for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shane L. Reeside". The signature is fluid and cursive, with a long horizontal stroke at the end.

Shane L. Reeside  
City Manager

A handwritten signature in black ink, appearing to read "John L. Modzinski". The signature is cursive and somewhat stylized, with a prominent "J" and "M".

John L. Modzinski  
City Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grosse Pointe Farms,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

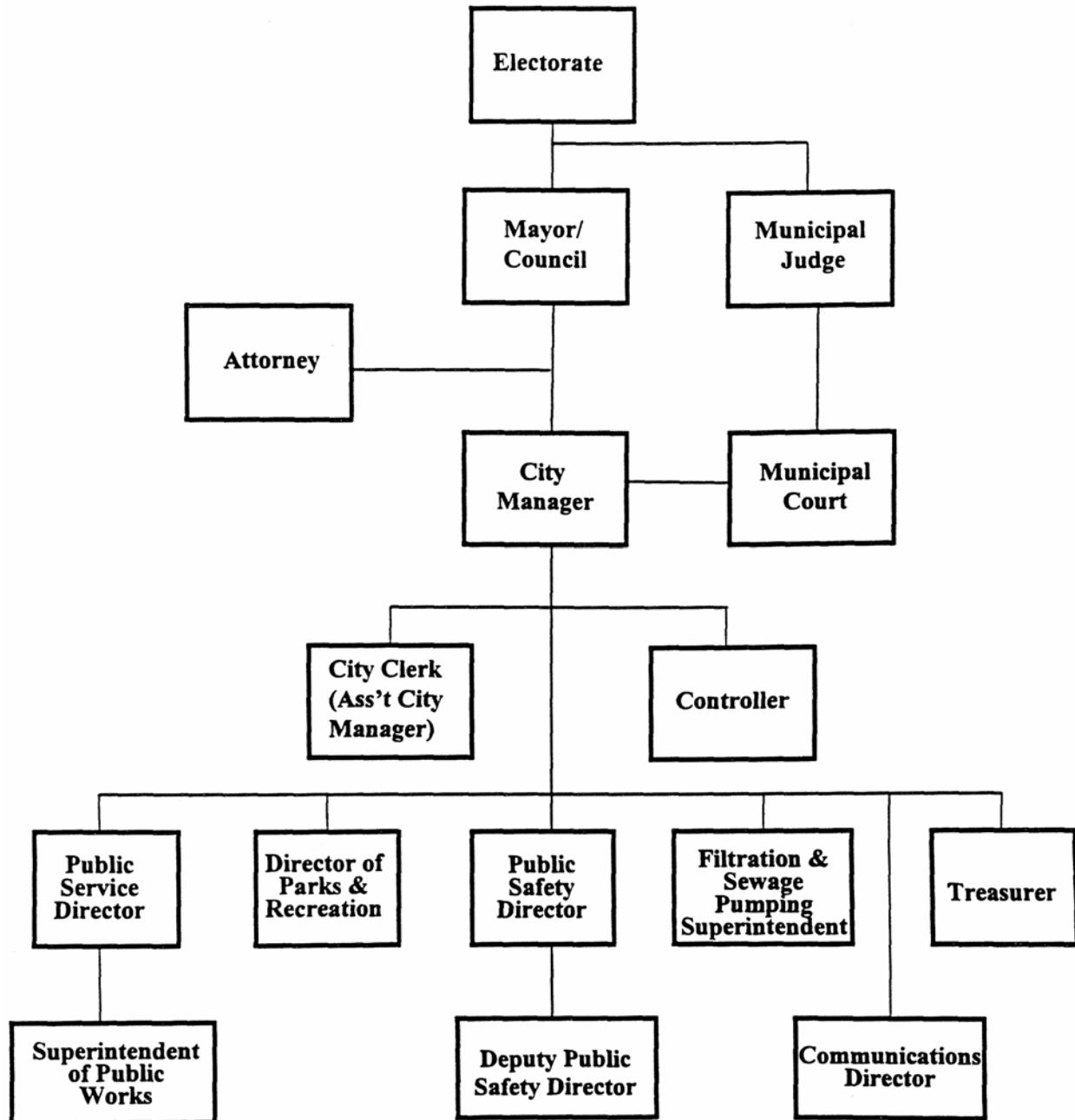
President

*Jeffrey R. Emer*

Executive Director

# City of Grosse Pointe Farms

## ORGANIZATIONAL CHART



## **Financial Section**

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**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Grosse Pointe Farms, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Farms, Michigan (the "City") as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and schedules of pension system funding progress (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



A worldwide association of independent accounting firms

To the Honorable Mayor and Members  
of the City Council  
City of Grosse Pointe Farms, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Plante & Moran, PLLC*

October 29, 2004

# City of Grosse Pointe Farms, Michigan

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2004 compared to the prior year (in thousands of dollars):

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 8,186	\$ 8,234	\$ 1,365	\$ 1,329	\$ 9,551	\$ 9,563
Noncurrent assets:						
Long-term receivables	-	-	275	550	275	550
Restricted assets	-	-	10	20	10	20
Capital assets	16,575	16,341	15,265	15,541	31,840	31,882
Total assets	24,761	24,575	16,915	17,440	41,676	42,015
<b>Liabilities</b>						
Current liabilities	1,017	1,250	522	557	1,539	1,807
Long-term liabilities	1,010	1,566	10,172	10,970	11,182	12,536
Total liabilities	2,027	2,816	10,694	11,527	12,721	14,343
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	16,485	15,701	5,159	4,636	21,644	20,337
Restricted	345	492	10	20	355	512
Unrestricted (deficit)	5,904	5,566	1,052	1,257	6,956	6,823
Total net assets	<u>\$ 22,734</u>	<u>\$ 21,759</u>	<u>\$ 6,221</u>	<u>\$ 5,913</u>	<u>\$ 28,955</u>	<u>\$ 27,672</u>

# City of Grosse Pointe Farms, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets increased 4.6 percent from a year ago - from \$27,671,949 to \$28,954,510. Both the governmental activities and the business-type activities increased in net assets, by 4.5 percent and 5.2 percent, respectively. New public safety equipment, Department of Public Works vehicles and equipment, and continuing improvements at the Pier Park, along with repayment of long-term obligations, resulted in the increase in governmental activities. The reduction in total liabilities exceeded the decrease in total net assets of the business-type activities, resulting in a net increase.

The following table shows the revenue and expense activity during June 30, 2004 and as compared to the prior year (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,386	\$ 1,269	\$ 3,219	\$ 3,383	\$ 4,605	\$ 4,652
Operating grants and contributions	701	601	-	-	701	601
General revenue:						
Property taxes	8,791	8,677	1,068	1,032	9,859	9,709
State-shared revenue	863	948	-	-	863	948
Interest	262	324	50	70	312	394
Franchise fees and other	560	620	-	-	560	620
Transfers	(120)	(335)	120	335	-	-
Total revenue	12,443	12,104	4,457	4,820	16,900	16,924
<b>Program Expenses</b>						
General government	2,552	2,171	-	-	2,552	2,171
Public safety	4,465	3,900	-	-	4,465	3,900
Public works	3,029	3,131	-	-	3,029	3,131
Municipal court	260	246	-	-	260	246
Recreation and culture	1,158	1,015	-	-	1,158	1,015
Interest on long-term debt	4	15	-	-	4	15
Water and sewer	-	-	3,860	3,676	3,860	3,676
Municipal radio system	-	-	289	288	289	288
Total program expenses	11,468	10,478	4,149	3,964	15,617	14,442
<b>Net Change in Net Assets</b>	975	1,626	308	856	1,283	2,482
<b>Net Assets - Beginning of year</b>	21,759	20,133	5,913	5,057	27,672	25,190
<b>Net Assets - End of year</b>	<u>\$ 22,734</u>	<u>\$ 21,759</u>	<u>\$ 6,221</u>	<u>\$ 5,913</u>	<u>\$ 28,955</u>	<u>\$ 27,672</u>



# **City of Grosse Pointe Farms, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The City's total governmental revenues increased about \$339,000, or 2.7 percent, from the last fiscal year. State-shared revenue decreases and declining interest income were offset by strong growth in the City's tax base and almost \$120,000 in additional revenue from police and fire alarm fees.

Expenses increased by approximately \$991,000, as the City continues to invest in capital equipment and buildings.

The following represents some of the more significant financial highlights for the year ended June 30, 2004:

- The City received two Federal Emergency Management Agency (F.E.M.A.) grants. The first was for \$14,363 to reimburse the City for 75 percent of the expenses incurred during the blackout in August 2003. Most of the expenses the City incurred during the blackout were to rent a one million watt generator to power the sewer pumping station. The other F.E.M.A. grant was for \$90,000 to purchase new firefighting equipment.
- Interest income declined by approximately \$62,000, or about 19 percent. The overall reduction in the rate of return on all P.A. 20 investments is the primary cause of this revenue source. The City continues to look for good rates of return by investing in longer-term, liquid securities such as negotiable certificates of deposit and federal instruments.
- The general government's increase in expenditures was largely due to increased pension funding. Contributions to both of the City's pension plans increased approximately \$252,000 to over \$400,000 in fiscal year 2004.

### **Business-type Activities**

The City's business-type activities consist of the Water and Sewer Fund, Municipal Radio System, and Insurance Retention Fund. We provide water to our residents, and the City of Grosse Pointe's residents, at our municipal water filtration plant. The City pumps its sewage to the City of Detroit for treatment and disposal. This year, the City of Detroit's Water and Sewer Department (DWSD) increased the City's flow rate 10.85 percent, as well as 6.56 percent to our storm water charge. DWSD also performs a "lookback" calculation annually. This calculation can result in either a charge or a credit to the City, as the storm water fee charged two years prior is calculated to have been too low or too high, respectively. During fiscal year 2004, the City went from a \$190,171 credit to an \$82,191 charge from the beginning to the end of the year, respectively, resulting in a net increase in cost related to the lookback calculation of \$272,362. Water and sewer rates were only increased enough to cover projected operational costs. However, the City did not sell the breakeven amount of 80 million cubic feet of water necessary to cover the fixed costs of the fund, resulting in an operating loss of \$473,761. Property tax revenue in excess of the necessary cash flow needed to make debt service payments helped keep the fund solvent.

# **City of Grosse Pointe Farms, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as show accountability for certain activities, such as the Cable T.V. Fund and Recycling Fund. The City's major funds are the General Fund and the Capital Projects Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$4,465,000 in 2004. The General Fund is primarily supported by property taxes and state-shared revenue. The Major Street Fund maintains the City's major streets (as contrasted with the neighborhood streets that are maintained by the Local Street Fund), and is supported by state gas and weight taxes. The Local Street Fund also receives gas and weight taxes, as well as transfers from the City's General Fund and Major Street Fund. The Insurance Retention Fund accounts for expenditures for the City's self-insured workers' compensation. The Capital Projects Fund is utilized to account for purchases of individual items greater than \$5,000.

### **General Fund Budgetary Highlights**

Approaching the end of the year, the City administration and City Council amend the budget to account for new expenditures not in the budget, as well as unanticipated expenditures. The most significant adjustments were to reduce an appropriation for debt service by approximately \$1,576,000, as no new debt was issued during fiscal year 2004. Conversely, fees for residents registering their home alarms with the public safety department were significantly lower than anticipated. The net result of budget amendment was a balanced budget with no appropriation from surplus.

### **Capital Asset and Debt Administration**

At the end of fiscal year 2004, the City had \$31.8 million invested in a wide range of capital assets, including land, buildings, fire equipment, vehicles, and water, sewer, and storm sewer lines. The value of the infrastructure, net of depreciation contained in this report, is \$3.80 million and \$3.59 million for fiscal years 2004 and 2003, respectively (see Note 3 of the notes to the financial statements for additional information). The value of the land improvements and buildings and improvements, net of depreciation, is \$5.31 million and \$5.18 million for fiscal years 2004 and 2003, respectively.

Debt reported in these financial statements is related mostly to the sewer separation project during fiscal years 2000 and 2001, and is recorded in the Water and Sewer Fund (see Note 5 of the notes to the financial statements for additional information). The City entered into a land installment purchase agreement in fiscal year 1995. The final installment on this agreement was made during fiscal year 2004.

# **City of Grosse Pointe Farms, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for next year calls for a cut of .125 mills. This can be accomplished because of the strong growth in our tax base, as the residents continue to improve and rebuild on their properties. However, because of the impact of Proposal A, the City needs to continue to watch its budget closely.

On the expenditure side, medical insurance continues to increase at a rate much greater than inflation. The City has moved the administrative employees and Teamster Union employees into Blue Cross/Blue Shield Community Blue with higher prescription co-pays. Negotiations with the 39 members of the Police Officers Association of Michigan (POAM) in fiscal year 2005 will include a proposal for this health care coverage as well. The City is also looking at alternate forms of financing employees' health care costs in order to contain costs, other than with insurance.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with an overview of the City's finances and to show the City's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Grosse Pointe Farms city controller's office.

# City of Grosse Pointe Farms, Michigan

## Statement of Net Assets June 30, 2004

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 7,489,642	\$ 108,373	\$ 7,598,015
Receivables:			
Customers	15,699	918,758	934,457
Property taxes	158,129	24,839	182,968
Accrued interest	108,808	2,057	110,865
Other	151,594	3,151	154,745
Internal balances (Note 4)	41,924	(41,924)	-
Due from other governmental units	135,021	318,866	453,887
Inventories	15,793	11,538	27,331
Prepaid costs and other assets	68,069	18,865	86,934
Noncurrent assets:			
Due from other governmental units	-	275,029	275,029
Restricted assets (Note 2 and 6)	-	10,315	10,315
Capital assets not being depreciated (Note 3)	5,918,821	61,041	5,979,862
Capital assets being depreciated - Net (Note 3)	<u>10,656,000</u>	<u>15,204,399</u>	<u>25,860,399</u>
Total assets	24,759,500	16,915,307	41,674,807
<b>Liabilities</b>			
Accounts payable	271,999	478,052	750,051
Accrued and other liabilities	595,803	24,084	619,887
Due to other governmental units	3,052	-	3,052
Deposits	145,886	19,777	165,663
Noncurrent liabilities (Note 5):			
Due within one year	548,113	726,097	1,274,210
Due in more than one year	<u>461,483</u>	<u>9,445,951</u>	<u>9,907,434</u>
Total liabilities	<u>2,026,336</u>	<u>10,693,961</u>	<u>12,720,297</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	16,484,821	5,158,589	21,643,410
Restricted:			
Debt service	-	10,315	10,315
Roads	344,707	-	344,707
Unrestricted	<u>5,903,636</u>	<u>1,052,442</u>	<u>6,956,078</u>
Total net assets	<u>\$ 22,733,164</u>	<u>\$ 6,221,346</u>	<u>\$ 28,954,510</u>

# City of Grosse Pointe Farms, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,552,250	\$ 125,513	\$ 117,992	\$ -
Public safety	4,465,538	717,758	-	-
Public works	3,028,574	120,780	583,493	-
Municipal court	260,245	150,907	-	-
Recreation and culture	1,157,937	271,122	-	-
Interest on long-term debt	4,305	-	-	-
Total governmental activities	11,468,849	1,386,080	701,485	-
Business-type activities:				
Water and sewer	3,859,580	3,043,390	-	-
Municipal Radio System	288,739	175,360	-	-
Total business-type activities	4,148,319	3,218,750	-	-
Total primary government	<u>\$ 15,617,168</u>	<u>\$ 4,604,830</u>	<u>\$ 701,485</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Interest				
Franchise fees and other				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets</b> - Beginning of year				
<b>Net Assets</b> - End of year				

**Statement of Activities**  
**Year Ended June 30, 2004**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (2,308,745)	\$ -	\$ (2,308,745)
(3,747,780)	-	(3,747,780)
(2,324,301)	-	(2,324,301)
(109,338)	-	(109,338)
(886,815)	-	(886,815)
(4,305)	-	(4,305)
(9,381,284)	-	(9,381,284)
-	(816,190)	(816,190)
-	(113,379)	(113,379)
-	(929,569)	(929,569)
(9,381,284)	(929,569)	(10,310,853)
8,791,286	1,067,832	9,859,118
862,438	-	862,438
261,541	50,066	311,607
560,250	-	560,250
(120,000)	120,000	-
10,355,515	1,237,898	11,593,413
974,231	308,329	1,282,560
21,758,933	5,913,017	27,671,950
<b><u>\$ 22,733,164</u></b>	<b><u>\$ 6,221,346</u></b>	<b><u>\$ 28,954,510</u></b>

# City of Grosse Pointe Farms, Michigan

## Governmental Funds Balance Sheet June 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 2)	\$ 4,848,609	\$ 1,390,952	\$ 497,918	\$ 6,737,479
Receivables:				
Taxes	158,129	-	-	158,129
Customers	-	-	15,699	15,699
Interest	61,336	11,741	20,600	93,677
Other	704	-	-	704
Prepaid costs and other assets	68,069	-	-	68,069
Due from other funds (Note 4)	41,924	-	500,000	541,924
Due from other governmental units	135,021	-	-	135,021
Inventories	15,793	-	-	15,793
<b>Total assets</b>	<b>\$ 5,329,585</b>	<b>\$ 1,402,693</b>	<b>\$ 1,034,217</b>	<b>\$ 7,766,495</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 226,637	\$ 29,976	\$ 15,303	\$ 271,916
Accrued and other liabilities	574,693	-	21,110	595,803
Due to other funds (Note 4)	500,000	-	-	500,000
Due to other governmental units	3,052	-	-	3,052
Cash bonds and deposits	145,886	-	-	145,886
<b>Total liabilities</b>	<b>1,450,268</b>	<b>29,976</b>	<b>36,413</b>	<b>1,516,657</b>
<b>Fund Balances</b>				
Reserved for prepaids items and inventories	83,862	-	-	83,862
Unreserved, reported in:				
General Fund	2,179,571	-	-	2,179,571
Special Revenue Funds	-	-	997,804	997,804
Designated for subsequent year's capital outlay	1,615,884	1,372,717	-	2,988,601
<b>Total fund balances</b>	<b>3,879,317</b>	<b>1,372,717</b>	<b>997,804</b>	<b>6,249,838</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,329,585</b>	<b>\$ 1,402,693</b>	<b>\$ 1,034,217</b>	<b>\$ 7,766,495</b>

# City of Grosse Pointe Farms, Michigan

## **Governmental Funds Reconciliation of Fund Balance to the Statement of Net Assets Year Ended June 30, 2004**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 6,249,838</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain receivables are expected to be collected over several years and are not available to pay for current year expenditures	150,889
Capital assets used in governmental activities are not financial resources and are not reported in the funds	16,574,821
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(727,596)
Internal Service Fund is included as part of governmental activities	<u>485,212</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 22,733,164</u></u></b>



# City of Grosse Pointe Farms, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 8,791,286	\$ -	\$ -	\$ 8,791,286
Licenses and permits	243,552	-	-	243,552
Federal sources	14,867	90,000	13,125	117,992
State sources	862,438	-	583,493	1,445,931
Charges for services	1,027,408	-	113,015	1,140,423
Fines and forfeitures	425,862	-	-	425,862
Interest	227,350	23,825	10,366	261,541
Other	133,229	-	-	133,229
Total revenue	11,725,992	113,825	719,999	12,559,816
<b>Expenditures</b>				
Current:				
General government	1,028,628	-	-	1,028,628
Public safety	4,234,782	-	-	4,234,782
Public works and streets	1,493,004	-	990,101	2,483,105
Public service	451,498	-	111,126	562,624
Municipal court	259,611	-	-	259,611
Recreation and culture	921,950	-	-	921,950
Other	1,240,531	-	13,125	1,253,656
Capital outlay	-	814,265	-	814,265
Debt service	465,000	-	94,305	559,305
Total expenditures	10,095,004	814,265	1,208,657	12,117,926
<b>Excess of Revenue Over (Under) Expenditures</b>	1,630,988	(700,440)	(488,658)	441,890
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	811,265	524,305	1,335,570
Transfers out	(1,390,570)	-	(205,000)	(1,595,570)
Total other financing sources (uses)	(1,390,570)	811,265	319,305	(260,000)
<b>Net Change in Fund Balances</b>	240,418	110,825	(169,353)	181,890
<b>Fund Balances - Beginning of year</b>	3,638,899	1,261,892	1,167,157	6,067,948
<b>Fund Balances - End of year</b>	<u>\$ 3,879,317</u>	<u>\$ 1,372,717</u>	<u>\$ 997,804</u>	<u>\$ 6,249,838</u>

# City of Grosse Pointe Farms, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 181,890</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	1,144,842
Depreciation expense	(905,475)
Loss on disposal of capital assets	(5,465)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	(14,920)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	550,000
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Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	6,117
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Internal Service Funds are also included as governmental activities	<u>17,242</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 974,231</u></b>
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# City of Grosse Pointe Farms, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2004

	Business-type Activities			Governmental Activity
	Enterprise - Water and Sewer	Municipal Radio System	Total Business- type Activities	Internal Service Fund - Insurance Retention
<b>Assets</b>				
Current assets:				
Cash and investments (Note 2)	\$ 108,373	\$ -	\$ 108,373	\$ 752,163
Receivables:				
Customers	918,758	-	918,758	-
Property taxes	24,839	-	24,839	-
Interest	2,057	-	2,057	15,131
Due from other governmental units	-	322,017	322,017	-
Inventories	11,538	-	11,538	-
Prepaid costs and other assets	17,899	966	18,865	-
Total current assets	1,083,464	322,983	1,406,447	767,294
Noncurrent assets:				
Restricted assets (Note 6)	10,315	-	10,315	-
Due from other governmental units	-	275,029	275,029	-
Capital assets not being depreciated (Note 3)	61,041	-	61,041	-
Capital assets being depreciated - Net (Note 3)	14,087,081	1,117,318	15,204,399	-
Total noncurrent assets	14,158,437	1,392,347	15,550,784	-
Total assets	15,241,901	1,715,330	16,957,231	767,294
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	475,571	2,481	478,052	82
Accrued and other liabilities	24,084	-	24,084	-
Due to other funds (Note 4)	882	41,042	41,924	-
Deposits	-	19,777	19,777	-
Current portion of long-term debt (Note 5)	422,596	259,681	682,277	-
Total current liabilities	923,133	322,981	1,246,114	82
Noncurrent liabilities:				
Provision for compensated absences	65,197	-	65,197	-
Provision for uninsured losses	-	-	-	282,000
Long-term debt - Net of current portion (Note 5)	9,149,545	275,029	9,424,574	-
Total noncurrent liabilities	9,214,742	275,029	9,489,771	282,000
Total liabilities	10,137,875	598,010	10,735,885	282,082
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	4,575,981	582,608	5,158,589	-
Restricted for debt service (Note 6)	10,315	-	10,315	-
Unrestricted	517,730	534,712	1,052,442	485,212
Total net assets	\$ 5,104,026	\$ 1,117,320	\$ 6,221,346	\$ 485,212

# City of Grosse Pointe Farms, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Business-type Activities			Governmental Activity
	Water and Sewer	Municipal Radio System	Total Business-type Activities	Internal Service Fund - Insurance Retention
<b>Operating Revenue</b>				
Sale of water	\$ 1,070,940	\$ -	\$ 1,070,940	\$ -
Sewage disposal charges	1,498,476	-	1,498,476	-
Radio system charges	-	175,360	175,360	-
Other	473,974	-	473,974	-
<b>Total operating revenue</b>	<b>3,043,390</b>	<b>175,360</b>	<b>3,218,750</b>	<b>-</b>
<b>Operating Expenses</b>				
Water pumping and filtration	743,501	-	743,501	-
Sewage treatment	1,639,062	-	1,639,062	-
Sewage pumping	283,333	-	283,333	-
Water distribution	257,226	-	257,226	-
Radio system	-	175,359	175,359	-
Benefit payments	-	-	-	140,942
General and administrative expenses	316,851	-	316,851	-
Depreciation	277,178	67,288	344,466	-
<b>Total operating expenses</b>	<b>3,517,151</b>	<b>242,647</b>	<b>3,759,798</b>	<b>140,942</b>
<b>Operating Loss</b>	<b>(473,761)</b>	<b>(67,287)</b>	<b>(541,048)</b>	<b>(140,942)</b>
<b>Nonoperating Revenue (Expense)</b>				
Interest income	3,974	46,092	50,066	18,184
Interest expense	(342,429)	(46,092)	(388,521)	-
Property taxes	1,067,832	-	1,067,832	-
<b>Income (Loss) - Before operating transfers</b>	<b>255,616</b>	<b>(67,287)</b>	<b>188,329</b>	<b>(122,758)</b>
<b>Operating Transfers In</b>	<b>120,000</b>	<b>-</b>	<b>120,000</b>	<b>140,000</b>
<b>Change in Net Assets</b>	<b>375,616</b>	<b>(67,287)</b>	<b>308,329</b>	<b>17,242</b>
<b>Net Assets - Beginning of year</b>	<b>4,728,410</b>	<b>1,184,607</b>	<b>5,913,017</b>	<b>467,970</b>
<b>Net Assets - End of year</b>	<b>\$ 5,104,026</b>	<b>\$ 1,117,320</b>	<b>\$ 6,221,346</b>	<b>\$ 485,212</b>

# City of Grosse Pointe Farms, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Business-type Activities			Governmental Activity
	Water and Sewer Fund	Municipal Radio System	Total Business-type Activities	Internal Service Fund - Insurance Retention
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 2,569,416	\$ 175,360	\$ 2,744,776	\$ -
Payments to suppliers	(1,639,062)	(105,867)	(1,744,929)	-
Payments to employees	(1,284,060)	(53,106)	(1,337,166)	-
Claims paid	-	-	-	(140,942)
Other receipts (payments)	240,646	(16,387)	224,259	(6,275)
Net cash used in operating activities	(113,060)	-	(113,060)	(147,217)
<b>Cash Flows from Noncapital Financing Activities -</b>				
Operating transfers in from other funds	120,000	-	120,000	140,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(98,021)	-	(98,021)	-
Property taxes	1,071,569	-	1,071,569	-
Contributions received for capital lease payments	-	245,192	245,192	-
Principal and interest paid on long-term debt	(895,245)	-	(895,245)	-
Principal and interest paid on capital lease	-	(291,284)	(291,284)	-
Net cash provided by (used in) capital and related financing activities	78,303	(46,092)	32,211	-
<b>Cash Flows from Investing Activities</b>				
Purchases of investments	-	-	-	390,000
Sale of investments	-	-	-	1,000
Interest received on investments	3,974	46,092	50,066	18,184
Net cash provided by investing activities	3,974	46,092	50,066	409,184
<b>Net Increase in Cash and Cash Equivalents</b>	89,217	-	89,217	401,967
<b>Cash and Cash Equivalents - Beginning of year</b>	132,621	-	132,621	350,196
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 221,838</u>	<u>\$ -</u>	<u>\$ 221,838</u>	<u>\$ 752,163</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and cash equivalents	\$ 108,373	\$ -	\$ 108,373	\$ 752,163
Restricted assets (Note 6)	113,465	-	113,465	-
Total cash and cash equivalents	<u>\$ 221,838</u>	<u>\$ -</u>	<u>\$ 221,838</u>	<u>\$ 752,163</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (473,761)	\$ (67,287)	\$ (541,048)	\$ (140,942)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	277,178	67,288	344,466	-
Amortization of bond discounts	2,404	-	2,404	-
Loss on sale of capital assets	28,688	-	28,688	-
Changes in assets and liabilities:				
Receivables	81,409	-	81,409	(6,357)
Due from other funds	-	12,034	12,034	-
Due from other governmental units	-	(1,745)	(1,745)	-
Other assets	(1,378)	399	(979)	-
Accounts payable	(42,591)	(8,241)	(50,832)	82
Due to other funds	-	-	-	-
Accrued and other liabilities	14,991	(2,448)	12,543	-
Net cash used in operating activities	<u>\$ (113,060)</u>	<u>\$ -</u>	<u>\$ (113,060)</u>	<u>\$ (147,217)</u>

**Supplemental Cash Flow Information** - There were no noncash transactions for the year ended June 30, 2004.

# City of Grosse Pointe Farms, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2004

	Pension Trust Funds	Agency Funds Tax Collection
<b>Assets</b>		
Cash and cash equivalents	\$ 754,437	\$ 73,358
Investments:		
Corporate bonds	12,727,117	-
Common stock	18,589,653	-
Mutual funds	7,839,079	-
Receivables:		
Interest	74,088	-
Other	892	-
Due from other governmental units	230	-
Total assets	39,985,496	<u>\$ 73,358</u>
<b>Liabilities</b>		
Accounts payable	35,348	\$ -
Due to other governmental units	7,123	73,358
Total liabilities	42,471	<u>\$ 73,358</u>
<b>Net Assets</b>		
Held in trust for pension benefits	37,185,134	
Held in trust for postemployment health care benefits	2,757,891	
Total net assets	<u>\$ 39,943,025</u>	

# City of Grosse Pointe Farms, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2004

	Pension Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 955,909
Net increases to fair market value	<u>3,670,937</u>
Net investment income	4,626,846
Contributions:	
Employer	401,815
Employee	<u>218,650</u>
Total additions	5,247,311
<b>Deductions</b>	
Benefit payments	1,609,375
Health benefits	374,390
Refunds to withdrawing members	103,351
Administrative expenses	<u>165,867</u>
Total deductions	<u>2,252,983</u>
<b>Change in Net Assets</b>	2,994,328
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	<u>36,948,697</u>
End of year	<u><u>\$ 39,943,025</u></u>
<b><u>Net Assets</u></b>	
<b>Reserved for Pension Benefits - Beginning of year</b>	\$ 34,374,919
<b>Net Increase</b>	<u>2,810,215</u>
<b>Reserved for Pension Benefits - End of year</b>	<u><u>\$ 37,185,134</u></u>
<b>Reserved for Postemployment Health Care Benefits - Beginning of year</b>	\$ 2,573,778
<b>Net Increase</b>	<u>184,113</u>
<b>Reserved for Postemployment Health Care Benefits - End of year</b>	<u><u>\$ 2,757,891</u></u>

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Grosse Pointe Farms (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### **Reporting Entity**

The City is governed by an elected seven-member council. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the City's reporting entity.

**Jointly Governed Organization** - The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture, which provided refuse disposal services to participating municipalities in the Counties of Wayne and Macomb, Michigan. Other members include the Cities of Grosse Pointe Park, Grosse Pointe, Grosse Pointe Shores, Harper Woods, Mount Clemens, Grosse Pointe Woods, and the Township of Clinton. As a result of financial difficulty, in April 1999, the Authority's governing board ceased operations. Complete financial statements for the Grosse Pointes-Clinton Refuse Disposal Authority joint venture can be obtained from the administrative offices at 33701 Lipke Road, Clinton Township, Michigan. The City is unaware of any circumstance that would cause an additional benefit or burden to the participating governments of the above joint venture in the near future.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



# **City of Grosse Pointe Farms, Michigan**

## **Notes to Financial Statements June 30, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for the development of capital facilities other than those financed by the operations of the business-type activities.

The City reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens and is financed by a user charge for the provision of those services.
- The Municipal Radio System Fund accounts for the financing of the municipal radio system utilized by the City and other local governments.

Additionally, the City reports the following fund types:

- The Internal Service Fund accounts for risk management services provided to other departments of the City on a cost reimbursement basis.
- The Pension Trust Funds account for the activities of the General Employees' and Public Safety Retirement Systems, which accumulate resources for pension and health care benefits payments to qualified general and public safety employees.
- The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the City's proprietary funds relates to charges to customers or other governments for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year, at which time penalties and interest are assessed.

The 2003 taxable valuation of the City totaled \$711,162,036, on which ad valorem taxes levied consisted of 11.00 mills for the City's operating purposes, 1.50 mills for debt service, and 1.00 mill for rubbish removal. The ad valorem taxes raised \$7,830,790 for general operations, \$1,067,832 for debt service, and \$711,883 for rubbish removal. These amounts are recorded in their respective funds as tax revenue.

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Water and Sewer Enterprise Fund require amounts to be set aside for operations and maintenance and debt service. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 to 25 years
Utility system	20 to 80 years
Buildings and building improvements	20 to 50 years
Vehicles	5 to 10 years
Office furnishings	10 to 20 years
Machinery and equipment	3 to 20 years

**Compensated Absences (Vacation and Sick Leave)** - The City allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and sick pay as it is earned. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate.)

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Construction Code Act** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since July 1, 2000 is as follows:

Shortfall - July 1, 2003		\$ (239,705)
Current year building permit revenue	\$ 119,919	
Related expenses	<u>210,911</u>	
Net shortfall for the year ended June 30, 2004		<u>(90,992)</u>
Cumulative shortfall - June 30, 2004		<u>\$ (330,697)</u>

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Funds are also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse purchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets have exceeded \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the Council in accordance with Public Act 20 of 1943 has authorized investment in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office located in the state of Michigan under the laws of the state or United States, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not more than 50 percent of any fund may be invested in commercial paper at any time, United States government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service, and in mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. For further clarification, this authorization is limited to securities whose intention is to maintain a NAV (net asset value) of \$1.00 per share, obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, and investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary and Agency Funds	Total Primary Government
Cash and cash equivalents	\$ 5,925,757	\$ 100,865	\$ 827,795	\$ 6,854,417
Investments	1,563,885	7,508	39,155,849	40,727,242
Restricted assets	-	113,465	-	113,465
Total	<u>\$ 7,489,642</u>	<u>\$ 221,838</u>	<u>\$ 39,983,644</u>	<u>\$ 47,695,124</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 6,963,382
Investments in securities, mutual funds, and similar vehicles	40,727,242
Petty cash or cash on hand	<u>4,500</u>
Total	<u>\$ 47,695,124</u>

The bank balance of the City's deposits is \$8,996,797, of which \$3,674,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Deposits and Investments (Continued)

#### Investments

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category				Reported Amount (Fair Value)
	1	2	3	Not Categorized	
Primary government:					
Corporate bonds	\$ -	\$ 12,727,117	\$ -	\$ -	\$ 12,727,117
U.S. government securities	-	1,440,000	-	-	1,440,000
Corporate stock	-	18,589,652	-	-	18,589,652
Bank investment pool funds	-	-	-	131,394	131,394
Mutual funds	-	-	-	7,839,079	7,839,079
Total primary government	<u>\$ -</u>	<u>\$ 32,756,769</u>	<u>\$ -</u>	<u>\$ 7,970,473</u>	<u>\$ 40,727,242</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.



# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 5,918,821	\$ -	\$ -	\$ 5,918,821
Capital assets being depreciated:				
Infrastructure	5,625,294	444,518	-	6,069,812
Land improvements	4,462,590	52,070	-	4,514,660
Buildings and improvements	4,591,537	177,569	-	4,769,106
Vehicles	2,934,840	141,999	220,193	2,856,646
Office furnishings	275,473	151,739	30,930	396,282
Machinery and equipment	63,265	176,947	-	240,212
Subtotal	17,952,999	1,144,842	251,123	18,846,718
Accumulated depreciation:				
Infrastructure	2,039,839	233,272	-	2,273,111
Land improvements	2,588,500	209,271	-	2,797,771
Buildings and improvements	1,286,581	165,908	-	1,452,489
Vehicles	1,409,945	231,464	220,193	1,421,216
Office furnishings	194,588	39,777	25,465	208,900
Machinery and equipment	11,448	25,783	-	37,231
Subtotal	7,530,901	905,475	245,658	8,190,718
Net capital assets being depreciated	10,422,098	239,367	5,465	10,656,000
Net capital assets	\$ 16,340,919	\$ 239,367	\$ 5,465	\$ 16,574,821

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Capital Assets (Continued)

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 45,482	\$ -	\$ -	45,482
Construction in progress	83,767	75,341	143,549	15,559
Subtotal	129,249	75,341	143,549	61,041
Capital assets being depreciated:				
Utility systems	15,156,329	58,011	-	15,214,340
Buildings and building improvements	1,112,619	26,369	-	1,138,988
Vehicles	240,815	-	-	240,815
Office furnishings	74,279	-	-	74,279
Machinery and equipment	1,978,069	81,849	57,376	2,002,542
Subtotal	18,562,111	166,229	57,376	18,670,964
Accumulated depreciation:				
Utility systems	2,005,851	206,520	-	2,212,371
Buildings and building improvements	843,533	33,409	9,903	867,039
Vehicles	27,727	12,350	-	40,077
Office furnishings	66,433	2,373	-	68,806
Machinery and equipment	207,243	89,814	18,785	278,272
Subtotal	3,150,787	344,466	28,688	3,466,565
Net capital assets being depreciated	15,411,324	(178,237)	28,688	15,204,399
Net capital assets	\$ 15,540,573	\$ (102,896)	\$ 172,237	\$ 15,265,440

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 100,852
Public safety	124,107
Public works	443,895
Recreation and culture	235,987
District Court	634
Total governmental activities	<u>\$ 905,475</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 277,178
Municipal Radio System	67,288
Total business-type activities	<u>\$ 344,466</u>

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Municipal Radio System Fund	\$ 41,042
	Water and Sewer Fund	<u>882</u>
	Total General Fund	41,924
Nonmajor governmental funds	General Fund	<u>500,000</u>
	Total	<u>\$ 541,924</u>

Interfund balances represent routine and temporary cash flow assistance from the governmental funds until amounts are transferred from fund investment accounts.

### Interfund Transfers Reported in the Fund Statements

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 344,305
	Self-insurance Fund	140,000
	Capital Projects Fund	786,265
	Water and Sewer Fund	<u>120,000</u>
	Total General Fund	1,390,570
Nonmajor governmental funds	Capital Projects Fund	25,000
	Nonmajor governmental funds	<u>180,000</u>
	Total nonmajor governmental funds	<u>205,000</u>
	Total	<u>\$ 1,595,570</u>

Transfers provide funding for capital projects, capital acquisitions, and debt services.

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bond:							
1990 Building Authority Bonds							
Amount of issue - \$800,000							
Maturing through 2005	6.80%	\$90,000	\$ 175,000	\$ -	\$ 85,000	\$ 90,000	\$ 90,000
Installment purchase agreement:							
1998 land contract agreement							
Amount of issue - \$2,895,000							
Maturing through 2005	6.22%	-	465,000	-	465,000	-	-
Total bond obligations			640,000	-	550,000	90,000	90,000
Other long-term obligations:							
Provision for uninsured losses			282,000	-	-	282,000	-
Compensated absences			643,713	458,996	465,113	637,596	458,113
Total governmental activities			1,565,713	458,996	1,015,113	1,009,596	548,113
<b>Business-type Activities</b>							
General obligation bonds:							
2000 Lakeside Sewer Separation							
Amount of issue - \$3,205,000	5.00% -	\$105,000 -					
Maturing through 2021	5.40%	\$250,000	3,005,000	-	100,000	2,905,000	105,000
Unamortized discount of issuance			(40,262)	-	(2,404)	(37,858)	(2,404)
1999 Lakeside Sewer Separation							
Amount of issue - \$7,625,000		\$320,000 -					
Maturing through 2021	2.50%	\$480,000	7,020,000	-	315,000	6,705,000	320,000
Installment purchase agreement:							
2001 Equipment Purchase Agreement							
Amount of issue - \$128,000							
Maturing through 2004	-	-	32,000	-	32,000	-	-
Revenue bonds:							
1991 Water and Sewer Improvements							
Amount of issue - \$995,000							
Maturing through 2005	6.30%	\$100,000	200,000	-	100,000	100,000	100,000
Capital lease obligation:							
2001 Radio System Lease							
Amount of issue - \$1,230,000		\$259,681 -					
Maturing through 2006	5.91%	\$275,029	779,901	-	245,192	534,709	259,681
Less current portion of long-term debt included in current liabilities payable from restricted assets			(91,668)	91,668	100,000	(100,000)	(100,000)
Total bond obligations			10,904,971	91,668	889,788	10,106,851	682,277
Other long-term obligations - Compensated absences			65,197	43,820	43,820	65,197	43,820
Total business-type activities			10,970,168	135,488	933,608	10,172,048	726,097
Total			\$ 12,535,881	\$ 594,484	\$ 1,948,721	\$ 11,181,644	\$ 1,274,210

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental and business-type bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 90,000	\$ 30,983	\$ 120,983	\$ 782,277	\$ 352,277	\$ 1,134,554
2006	-	-	-	727,624	320,530	1,048,154
2007	-	-	-	462,596	289,776	752,372
2008	-	-	-	467,596	275,026	742,622
2009	-	-	-	480,000	260,150	740,150
2010-2014	-	-	-	2,122,980	879,478	3,002,458
2015-2019	-	-	-	3,042,980	683,955	3,726,935
2020-2021	-	-	-	2,120,798	150,276	2,271,074
Total	<u>\$ 90,000</u>	<u>\$ 30,983</u>	<u>\$ 120,983</u>	<u>\$ 10,206,851</u>	<u>\$ 3,211,468</u>	<u>\$ 13,418,319</u>

Subsequent to year end, the City Council approved the issuance of debt in the form of \$4,000,000 General Obligation Limited Tax Bonds. Payments begin in 2005 and mature in 2024 with interest at 4.25 percent.

### Note 6 - Restricted Assets

Specific assets resulting from the revenue of the Water and Sewer Fund have been restricted for operations and maintenance and debt service. Following is the detail of restricted assets at June 30, 2004:

Cash and cash equivalents	\$ 113,465
Less current liabilities payable from restricted assets:	
Bond principal	\$ (100,000)
Accrued interest	<u>(3,150)</u> <u>(103,150)</u>
Total restricted assets	<u>\$ 10,315</u>

Net assets have been reserved for restricted assets.

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims in excess of \$375,000 and participates in the Michigan Municipal League risk pool for claims relating to property loss and general liability; the City is uninsured for workers' compensation claims up to \$375,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### Workers' Compensation

The City is self-insured for workers' compensation claims. Under the program, the City is held liable for the first \$375,000 of any occurrence. The City has purchased excess insurance to cover claims greater than \$375,000.

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Insurance Retention Internal Service Fund and within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Unpaid claims - Beginning of year	\$ 282,000	\$ 282,000
Incurred claims (including claims incurred but not reported)	992,039	894,888
Claim payments	(992,039)	(894,888)
Unpaid claims - End of year	<u>\$ 282,000</u>	<u>\$ 282,000</u>

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 8 - Retirement Plans**

#### **Description of Plans**

The City contributes to two retirement plans, the Public Safety Retirement System and the General Employees' Retirement System. The Public Safety Retirement System and the General Employees' Retirement System are the administrators of single-employer defined benefit public employee retirement systems that cover all police and fire employees and substantially all other general employees, respectively. The plans do not issue separate financial reports.

**Public Safety Retirement System** - The system provides retirement, disability, and death benefits to plan members and their beneficiaries. In addition to providing pension benefits, the system provides health care benefits (in accordance with labor contracts) for plan members if they reach the normal retirement age while working for the City. Currently, 31 retirees are eligible and receiving health care benefits. At June 30, 2003, the date of the most recent actuarial valuation, membership consisted of 42 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 38 current active employees.

**General Employees' Retirement System** - The system provides retirement, disability, and death benefits to plan members and their beneficiaries. In addition to providing pension benefits, the system provides health care benefits (in accordance with labor contracts) for plan members if they reach the normal retirement age while working for the City. Currently, 38 retirees are eligible and receiving health care benefits. At June 30, 2003, the date of the most recent actuarial valuation, membership consisted of 40 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 67 current active employees.

#### **Contributions**

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

# **City of Grosse Pointe Farms, Michigan**

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## **Notes to Financial Statements June 30, 2004**

### **Note 8 - Retirement Plans (Continued)**

**Public Safety Retirement System** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent. Future amendments to benefit provisions would involve negotiation with these collective bargaining units. Employer contributions to the system to fund health care benefits are voluntary. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**General Employees' Retirement System** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the Police Officers' Association of Michigan - Dispatchers employees of 3 percent of the first \$4,200 of gross wages and 5 percent of remaining gross wages. Future amendments to benefit provisions would involve negotiation with these collective bargaining units. All other employees' collective bargaining units require a contribution from employees of 3 percent of all gross wages. Employer contributions to the system to fund health care benefits are voluntary. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

#### **Annual Pension Cost**

**Public Safety Retirement System** - For the fiscal year ended June 30, 2004, the City had no required pension contribution. The annual required pension contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry age actuarial valuation method. Significant actuarial assumptions used include: (i) a 7.5 percent investment rate of return, (ii) projected salary increases of 5.0 percent to 8.8 percent per year, and (iii) cost-of-living adjustments at 2.5 percent per year. Assumption (ii) includes an inflation component of 5.0 percent.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 10 years.



# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Retirement Plans (Continued)

**General Employees' Retirement System** - For the fiscal year ended June 30, 2004, the City's annual pension cost of \$172,278 was equal to the required and actual pension contribution. The annual required pension contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry age actuarial valuation method. Significant actuarial assumptions used include: (i) a 7.5 percent investment rate of return, (ii) projected salary increases of 5.0 percent to 8.8 percent per year, and (iii) cost-of-living adjustments at varying percents depending on retirement date. Assumption (ii) includes an inflation component of 5.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 10 years. Employer contributions to the retirement systems for the year ended June 30, 2004 pertain to the funding of postretirement health care benefits.

	Fiscal Year Ended June 30		
	2002	2003	2004
<b>General Employees' Retirement System:</b>			
Annual pension costs (APC)	\$ -	\$ 54,764	\$ 172,278
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
<b>Public Safety Retirement System:</b>			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of June 20		
	2001	2002	2003
<b>General Employees Retirement System:</b>			
Actuarial value of assets	\$ 15,030,637	\$ 14,823,722	\$ 14,317,582
Actuarial accrued liability (AAL)	12,277,957	13,004,279	13,854,511
Overfunded (Unfunded AAL) (UAAL)	2,752,680	1,819,443	463,071
Funded ratio (percent)	122.4%	114.0%	103.3%
Covered payroll	2,766,275	2,784,696	2,949,385
UAAL as a percentage of covered payroll	N/A	N/A	N/A
<b>Public Safety Retirement System:</b>			
Actuarial value of assets	\$ 27,487,631	\$ 27,121,390	\$ 25,935,581
Actuarial accrued liability (AAL)	17,616,822	18,632,029	20,050,945
Overfunded (Unfunded AAL) (UAAL)	9,870,809	8,489,361	5,884,636
Funded ratio (percent)	156.0%	145.6%	129.3%
Covered payroll	1,994,776	2,299,362	2,377,414
UAAL as a percentage of covered payroll	N/A	N/A	N/A

# City of Grosse Pointe Farms, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Retirement Plans (Continued)

**Reserves** - As of June 30, 2004, the plans' legally required reserves have been fully funded as follows:

	General Employees' Retirement System	Public Safety Retirement System	Total
Reserve for employees' contributions	\$ 2,094,029	\$ 1,804,552	\$ 3,898,581
Reserve for employers' contributions	6,203,755	11,362,630	17,566,385
Reserve for retired benefit payments	5,047,219	10,672,949	15,720,168
Total reserve for pension benefits	13,345,003	23,840,131	37,185,134
Reserve for health benefits	500,948	2,256,943	2,757,891
Total	\$ 13,845,951	\$ 26,097,074	\$ 39,943,025

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

## **Required Supplemental Information**

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# City of Grosse Pointe Farms, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 3,638,899	\$ 3,638,899	\$ 3,638,899	\$ -
<b>Resources (Inflows)</b>				
Property taxes	8,805,900	8,785,930	8,791,286	5,356
Licenses and permits	278,250	227,250	243,552	16,302
Federal sources	-	14,860	14,867	7
State sources	907,500	828,500	862,438	33,938
Charges for services	1,021,500	904,600	1,027,408	122,808
Fines and forfeitures	310,000	382,000	425,862	43,862
Interest	200,000	212,082	227,350	15,268
Other	173,000	221,200	133,229	(87,971)
Total resources (inflows)	15,335,049	15,215,321	15,364,891	149,570
<b>Charges to Appropriations (Outflows)</b>				
General government	1,000,784	1,045,284	1,028,628	16,656
Public safety	4,219,221	4,253,771	4,234,782	18,989
Public works and streets	1,570,000	1,508,600	1,493,004	15,596
Public service	476,900	480,400	451,498	28,902
Municipal court	249,151	264,801	259,611	5,190
Recreation and culture	889,031	935,481	921,950	13,531
Other	1,348,815	1,312,515	1,240,531	71,984
Debt service	465,000	465,000	465,000	-
Transfers to other funds	1,477,248	1,310,570	1,390,570	(80,000)
Total charges to appropriations (outflows)	11,696,150	11,576,422	11,485,574	90,848
<b>Fund Balance - End of year</b>	<b>\$ 3,638,899</b>	<b>\$ 3,638,899</b>	<b>\$ 3,879,317</b>	<b>\$ 240,418</b>

# City of Grosse Pointe Farms, Michigan

## Note to Required Supplemental Information June 30, 2004

### Note - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line item. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Transfers to other funds	\$ 1,310,570	\$ 1,390,570

The unfavorable variance was caused by unanticipated expenditures that became necessary during the year.

# City of Grosse Pointe Farms, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b><u>General Employees' Retirement System</u></b>						
06/30/98	\$ 11,142,205	\$ 9,007,277	\$ 2,134,928	123.7	\$ 2,532,408	-
06/30/99	12,699,675	9,938,731	2,760,944	127.8	2,502,362	-
06/30/00	14,339,521	10,267,564	4,071,957	139.7	2,484,943	-
06/30/01	15,030,637	12,277,957	2,752,680	122.4	2,766,275	-
06/30/02	14,823,722	13,004,279	1,819,443	114.0	2,784,696	-
06/30/03	14,317,582	13,854,511	463,071	103.3	2,949,385	-
<b><u>Public Safety Retirement System</u></b>						
06/30/98	20,245,978	12,724,476	7,521,502	159.1	2,013,794	-
06/30/99	23,200,027	14,108,979	9,091,048	164.4	2,141,896	-
06/30/00	26,164,064	15,290,385	10,873,679	171.1	1,877,166	-
06/30/01	27,487,631	17,616,822	9,870,809	156.0	1,994,776	-
06/30/02	27,121,390	18,632,029	8,489,361	145.6	2,299,362	-
06/30/03	25,935,581	20,050,945	5,884,636	129.3	2,377,414	-

# City of Grosse Pointe Farms, Michigan

## Required Supplemental Information Schedule of Employer Contributions June 30, 2004

### General Employees' Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
06/30/98	6/30/96	\$ -	-
06/30/99	6/30/97	-	-
06/30/00	6/30/98	-	-
06/30/01	6/30/99	-	-
06/30/02	6/30/00	-	-
06/30/03	6/30/01	54,764	100%
06/30/04	6/30/02	172,278	100%

\* The additional contributions reflected in the financial statements were for health care benefits.

### Public Safety Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
06/30/98	6/30/96	\$ -	-
06/30/99	6/30/97	-	-
06/30/00	6/30/98	-	-
06/30/01	6/30/99	-	-
06/30/02	6/30/00	-	-
06/30/03	6/30/01	-	-
06/30/04	6/30/02	-	-

\* The contributions reflected in the financial statements were for health care benefits.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2002, the latest actuarial valuation date, follows:

### General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	10 years from July 1, 2003
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0% - 8.8%
*Includes inflation at	5.0%
	2.5% per year on the base retirement allowance (noncompounding), on January 1 after being retired six months.
Cost of living adjustments	The maximum number of increases is 15.

# City of Grosse Pointe Farms, Michigan

## Required Supplemental Information Schedule of Employer Contributions (Continued) June 30, 2004

Group	Applicable to Retirements with an Effective Date on or
	After
Department heads	July 1, 1991
Clerical	July 1, 1991
Dispatchers	January 1, 1992

For retirees and beneficiaries on the rolls as of June 30, 1991, a minimum retirement allowance was established equal to \$25/month times the number of years of credited service. The \$25 amount was reduced for optional forms of payment.

For department head and clerical members who retire effective on or after July 1, 2000, the amount of pension and annuity payable shall be increased each January 1 after being retired six months by 2.50 percent, compounded, of the pension and annuity that would have been paid in the absence of cost of living adjustments.

### Public Safety Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	10 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0% - 8.8%
*Includes inflation at	5.0%



## **Other Supplemental Information**

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# City of Grosse Pointe Farms, Michigan

Nonmajor Special Revenue Funds				
	Major Streets	Local Streets	Cable Proceeds	Community Development Block Grant
<b>Assets</b>				
Cash and investments	\$ 141,890	\$ 210,438	\$ 51,595	\$ -
Receivables	-	-	-	-
Accrued interest	18,169	2,431	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 160,059</u>	<u>\$ 212,869</u>	<u>\$ 51,595</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,143	\$ 4,968	\$ -	\$ -
Accrued and other liabilities	<u>2,319</u>	<u>18,791</u>	<u>-</u>	<u>-</u>
Total liabilities	4,462	23,759	-	-
<b>Fund Balances - Unreserved</b>	<u>155,597</u>	<u>189,110</u>	<u>51,595</u>	<u>-</u>
Total fund balances	<u>155,597</u>	<u>189,110</u>	<u>51,595</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 160,059</u>	<u>\$ 212,869</u>	<u>\$ 51,595</u>	<u>\$ -</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004**

Nonmajor Special Revenue Funds		Nonmajor Debt Service Fund	
Recycling Program	Budget Stabilization	Debt Service	Total Nonmajor Governmental Funds
\$ 93,995	\$ -	\$ -	\$ 497,918
15,699	-	-	15,699
-	-	-	20,600
-	500,000	-	500,000
<b>\$ 109,694</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 1,034,217</b>
\$ 8,192	\$ -	\$ -	\$ 15,303
-	-	-	21,110
8,192	-	-	36,413
101,502	500,000	-	997,804
101,502	500,000	-	997,804
<b>\$ 109,694</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 1,034,217</b>

# City of Grosse Pointe Farms, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Cable Proceeds	Community Development Block Grant	Recycling Program	Budget Stabilization
<b>Revenue</b>						
Federal sources	\$ -	\$ -	\$ -	\$ 13,125	\$ -	\$ -
State sources	416,143	167,350	-	-	-	-
Charges for services	-	-	-	-	113,015	-
Interest income	<u>7,894</u>	<u>1,132</u>	<u>768</u>	<u>-</u>	<u>572</u>	<u>-</u>
Total revenue	424,037	168,482	768	13,125	113,587	-
<b>Expenditures</b>						
Current:						
Public service	-	-	-	-	111,126	-
Public works and streets	419,504	570,597	-	-	-	-
Other	-	-	-	13,125	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>419,504</u>	<u>570,597</u>	<u>-</u>	<u>13,125</u>	<u>111,126</u>	<u>-</u>
<b>Excess of Revenue Over (Under)</b>						
Expenditures	4,533	(402,115)	768	-	2,461	-
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	430,000	-	-	-	-
Transfers out	<u>(180,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>430,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(175,467)	27,885	(24,232)	-	2,461	-
<b>Fund Balances - Beginning of year</b>	<u>331,064</u>	<u>161,225</u>	<u>75,827</u>	<u>-</u>	<u>99,041</u>	<u>500,000</u>
<b>Fund Balances - End of year</b>	<u>\$ 155,597</u>	<u>\$ 189,110</u>	<u>\$ 51,595</u>	<u>\$ -</u>	<u>\$ 101,502</u>	<u>\$ 500,000</u>

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**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2004**

Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ 13,125
-	583,493
-	113,015
-	10,366
-	719,999
-	111,126
-	990,101
-	13,125
94,305	94,305
94,305	1,208,657
(94,305)	(488,658)
94,305	524,305
-	(205,000)
94,305	319,305
-	(169,353)
-	1,167,157
<b>\$ -</b>	<b>\$ 997,804</b>

# City of Grosse Pointe Farms, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Special Revenue Funds Year Ended June 30, 2004

### Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 331,064	\$ 331,064	\$ 331,064	\$ -
<b>Resources (Inflows)</b>				
State sources	385,000	410,000	416,143	6,143
Interest	<u>6,000</u>	<u>7,000</u>	<u>7,894</u>	<u>894</u>
Total resources (inflows)	391,000	417,000	424,037	7,037
<b>Charges to Appropriations (Outflows)</b>				
Public works and streets	371,700	442,500	419,504	22,996
Transfers to other funds	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Total charges to appropriations (outflows)	<u>551,700</u>	<u>622,500</u>	<u>599,504</u>	<u>22,996</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 170,364</u></b>	<b><u>\$ 125,564</u></b>	<b><u>\$ 155,597</u></b>	<b><u>\$ 30,033</u></b>

### Local Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 161,225	\$ 161,225	\$ 161,225	\$ -
<b>Resources (Inflows)</b>				
State sources	155,000	168,200	167,350	(850)
Interest	1,000	300	1,132	832
Transfers from other funds	<u>430,000</u>	<u>430,000</u>	<u>430,000</u>	<u>-</u>
Total resources (inflows)	586,000	598,500	598,482	(18)
<b>Charges to Appropriations (Outflows) -</b>				
Public works and streets	<u>559,550</u>	<u>610,050</u>	<u>570,597</u>	<u>39,453</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 187,675</u></b>	<b><u>\$ 149,675</u></b>	<b><u>\$ 189,110</u></b>	<b><u>\$ 39,435</u></b>

# City of Grosse Pointe Farms, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2004

### Cable Proceeds

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 75,827	\$ 75,827	\$ 75,827	\$ -
<b>Resources (Inflows)</b> - Interest	500	500	768	268
<b>Charges to Appropriations (Outflows)</b>				
Transfers to other funds	-	25,000	25,000	-
Contingency	500	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ 75,827</u>	<u>\$ 76,327</u>	<u>\$ 76,595</u>	<u>\$ 268</u>

### Community Development Block Grant

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b> - Federal sources	77,000	64,225	13,125	(51,100)
<b>Charges to Appropriations (Outflows)</b> -				
Other	77,000	64,225	13,125	51,100
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Grosse Pointe Farms, Michigan

## Other Financial and Supplemental Information Budgetary Comparison Schedule - Nonmajor Special Revenue Funds (Continued) Year Ended June 30, 2004

### Recycling Program

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 99,041	\$ 99,041	\$ 99,041	\$ -
<b>Resources (Inflows)</b>				
Charges for services	114,000	114,000	113,015	(985)
Interest	<u>1,000</u>	<u>1,000</u>	<u>572</u>	<u>(428)</u>
Total resources (inflows)	214,041	214,041	212,628	(1,413)
<b>Charges to Appropriations (Outflows) -</b>				
Public service	<u>115,000</u>	<u>115,000</u>	<u>111,126</u>	<u>3,874</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 99,041</b></u>	<u><b>\$ 99,041</b></u>	<u><b>\$ 101,502</b></u>	<u><b>\$ 2,461</b></u>

### Budget Stabilization

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
<b>Resources (Inflows)</b>	-	-	-	-
<b>Charges to Appropriations (Outflows)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 500,000</b></u>	<u><b>\$ 500,000</b></u>	<u><b>\$ 500,000</b></u>	<u><b>\$ -</b></u>



# City of Grosse Pointe Farms, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2004

	Pension Trust Funds			Agency Funds
	General			
	Employees'	Public Safety		
	Retirement	Retirement		
	System	System	Total	Tax Collection
<b>Assets</b>				
Cash and cash equivalents	\$ 242,402	\$ 512,035	\$ 754,437	\$ 73,358
Investments:				
Corporate bonds	4,459,194	8,267,923	12,727,117	-
Common stock	6,408,647	12,181,006	18,589,653	-
Mutual funds	2,727,626	5,111,453	7,839,079	-
Receivables:				
Interest	25,831	48,257	74,088	-
Other	892	-	892	-
Due from other governmental units	-	230	230	-
Total assets	13,864,592	26,120,904	39,985,496	<u><u>\$ 73,358</u></u>
<b>Liabilities</b>				
Accounts payable	12,240	23,108	35,348	\$ -
Due to other governmental units	6,401	722	7,123	73,358
Total liabilities	18,641	23,830	42,471	<u><u>\$ 73,358</u></u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u><u>\$ 13,845,951</u></u>	<u><u>\$ 26,097,074</u></u>	<u><u>\$ 39,943,025</u></u>	

# City of Grosse Pointe Farms, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2004

	General Employees' Retirement System	Public Safety Retirement System	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 330,178	\$ 625,731	\$ 955,909
Net adjustments to fair market value	<u>1,261,861</u>	<u>2,409,076</u>	<u>3,670,937</u>
Net investment income	1,592,039	3,034,807	4,626,846
Contributions:			
Employer	309,351	92,464	401,815
Employee	<u>93,817</u>	<u>124,833</u>	<u>218,650</u>
Total additions	1,995,207	3,252,104	5,247,311
<b>Deductions</b>			
Benefit payments	678,859	930,516	1,609,375
Health benefits	174,217	200,173	374,390
Refunds to withdrawing members	3,671	99,680	103,351
Administrative expenses	<u>59,510</u>	<u>106,357</u>	<u>165,867</u>
Total deductions	<u>916,257</u>	<u>1,336,726</u>	<u>2,252,983</u>
<b>Net Increase</b>	1,078,950	1,915,378	2,994,328
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	<u>12,767,001</u>	<u>24,181,696</u>	<u>36,948,697</u>
End of year	<u><b>\$ 13,845,951</b></u>	<u><b>\$ 26,097,074</b></u>	<u><b>\$ 39,943,025</b></u>

# City of Grosse Pointe Farms, Michigan

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## Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b><u>Tax Collection</u></b>				
<b>Assets</b> - Cash and cash equivalents	<u>\$ 51,657</u>	<u>\$ 20,967,110</u>	<u>\$ 20,945,409</u>	<u>\$ 73,358</u>
<b>Liabilities</b> - Due to other governmental units	<u>\$ 51,657</u>	<u>\$ 20,967,110</u>	<u>\$ 20,945,409</u>	<u>\$ 73,358</u>

## **Statistical Section**

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All economic and statistical data was obtained from the records of the City of Grosse Pointe Farms unless otherwise noted.

## City of Grosse Pointe Farms, Michigan

Fiscal Year Ended June 30	Property Taxes	Licenses and Permits	Federal Sources	State Sources	Special Assessments
1995	\$ 6,285,621	\$ 168,501	\$ 212,112	\$ 1,207,094	\$ -
1996	6,370,122	154,156	167,690	1,292,092	64,820
1997	6,564,324	187,729	49,778	1,362,805	13,383
1998	6,861,407	182,134	214,336	1,508,022	5,899
1999	7,294,661	224,590	130,427	1,568,241	-
2000	7,519,710	216,982	-	1,622,127	-
2001	8,474,589	234,481	57,002	1,622,147	-
2002	8,472,118	241,671	71,577	1,588,368	-
2003	8,677,149	258,698	58,775	1,474,255	-
2004	8,791,286	243,552	117,592	1,445,931	-

Fiscal Year Ended June 30	General Government	Public Safety	Public Works and Streets	Public Service	Municipal Court
1995	\$ 704,821	\$ 2,847,604	\$ 1,883,426	\$ 382,376	\$ 202,033
1996	706,622	2,965,895	1,947,270	411,186	196,339
1997	692,985	2,972,626	1,783,177	453,811	196,930
1998	738,835	3,098,627	2,097,315	417,888	171,509
1999	796,091	3,210,358	1,901,660	480,419	179,262
2000	816,110	3,284,784	1,826,554	492,013	188,768
2001	841,587	3,320,484	2,352,243	502,161	189,751
2002	945,864	3,947,885	2,135,276	551,840	219,571
2003	950,157	3,894,950	2,391,887	583,150	252,487
2004	1,028,628	4,234,782	2,483,105	562,624	259,611

(1) Includes one-time receipt of \$1,886,288 resulting from sale of Grosse Pointe Cable, Inc.

**General Revenues by Source and Expenditures by Function  
General, Special Revenue, Debt Service, and Capital Projects Funds  
Last Ten Fiscal Years**

Charges for Services	Fines and Forfeitures	Interest Income	Other	Total Revenues by Source
\$ 530,077	\$ 231,176	\$ 322,817	\$ 1,955,312 (1)	\$ 10,912,710
703,711	205,698	371,798	246,428	9,576,515
720,923	228,301	386,241	158,624	9,672,108
746,193	196,519	368,166	691,669	10,774,345
978,667	164,138	422,250	194,088	10,977,062
848,462	192,712	479,228	146,381	11,025,602
991,717	228,960	635,187	105,113	12,349,196
923,938	297,110	514,896	131,466	12,241,144
980,009	427,104	324,100	223,779	12,423,869
1,140,423	425,862	261,541	133,229	12,559,416
Capital Outlay	Parks and Recreation	Other Functions	Debt Service	Total Expenditures by Function
\$ 3,345,325	\$ 517,372	\$ 1,376,196	\$ 521,353	\$ 11,780,506
908,404	517,569	1,312,871	521,235	9,487,391
1,742,709	582,780	1,046,198	601,014	10,072,230
1,543,309	596,338	1,160,428	596,168	10,420,417
861,085	654,502	987,516	830,645	9,901,538
645,868	679,622	928,738	558,750	9,421,207
619,164	755,149	848,779	574,110	10,003,428
640,890	816,083	1,405,812	594,603	11,257,824
2,319,628	842,467	1,509,326	539,976	13,284,028
814,265	921,950	1,253,656	559,305	12,117,926

## City of Grosse Pointe Farms, Michigan

	Year Ended			
	2004	2003	2002	2001
<b>Operating Revenues</b>	\$ 3,043,390	\$ 3,224,205	\$ 3,017,647	\$ 2,902,137
<b>Operating Expenses</b>	<u>3,517,151</u>	<u>3,323,106</u>	<u>2,758,839</u>	<u>3,232,357</u>
<b>Operating Income (Loss)</b>	(473,761)	(98,901)	258,808	(330,220)
<b>Nonoperating Revenues (Expenses)</b>	<u>849,377</u> (9)	<u>1,023,967</u> (7)	<u>763,434</u> (6)	<u>540,296</u> (5)
<b>Net Income (Loss)</b>	<u>\$ 375,616</u>	<u>\$ 925,066</u>	<u>\$ 1,022,242</u>	<u>\$ 210,076</u>
<b>Retained Earnings</b>	<u>\$ 5,104,026</u> (10)	<u>\$ 4,728,410</u> (8)	<u>\$ 3,731,590</u>	<u>\$ 2,709,348</u>

(1) Includes an operating transfer of \$156,000

(2) Includes an operating transfer of \$162,240

(3) Includes an operating transfer of \$268,700

(4) Includes an operating transfer of \$275,400

(5) Includes an operating transfer of \$500,000

(6) Includes an operating transfer of \$380,000

(7) Includes an operating transfer of \$335,000

(8) Includes \$71,754 that had previously been classified as contributed capital

(9) Includes an operating transfer of \$120,000

(10) Includes \$71,754 that had previously been classified as contributed capital

**Summary of Revenues, Expenses, and Changes in Retained Earnings  
Water and Sewer Enterprise Fund  
Last Ten Fiscal Years**

June 30					
2000	1999	1998	1997	1996	1995
\$ 3,072,559	\$ 2,801,653	\$ 2,569,919	\$ 2,317,751	\$ 2,491,666	\$ 2,335,179
<u>2,874,689</u>	<u>2,686,827</u>	<u>2,715,150</u>	<u>2,165,905</u>	<u>2,298,664</u>	<u>2,226,796</u>
197,870	114,826	(145,231)	151,846	193,002	108,383
<u>296,941</u> (4)	<u>240,940</u> (3)	<u>130,651</u> (2)	<u>126,108</u> (1)	<u>(58,348)</u>	<u>(18,077)</u>
<u><b>\$ 494,811</b></u>	<u><b>\$ 355,766</b></u>	<u><b>\$ (14,580)</b></u>	<u><b>\$ 277,954</b></u>	<u><b>\$ 134,654</b></u>	<u><b>\$ 90,306</b></u>
<u><b>\$ 2,499,272</b></u>	<u><b>\$ 2,004,461</b></u>	<u><b>\$ 1,648,695</b></u>	<u><b>\$ 1,663,275</b></u>	<u><b>\$ 1,385,321</b></u>	<u><b>\$ 1,250,667</b></u>



# City of Grosse Pointe Farms, Michigan

## Property Tax Levy and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy (1)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1995	\$ 6,077,590	\$ 5,936,609	97.68	\$ 96,588	\$ 6,033,197	99.27
1996	6,166,944	6,073,694	98.49	98,923	6,172,617	100.09
1997	6,352,916	6,265,668	98.63	105,578	6,371,246	100.29
1998	6,600,853	6,496,864	98.42	122,184	6,619,048	100.28
1999	7,116,065	6,986,343	98.18	131,733	7,118,076	100.03
2000	7,489,783	7,195,336	96.07	131,355	7,326,691	97.82
2001	8,565,252	8,433,696	98.46	123,198	8,556,894	99.90
2002	9,012,152	8,864,391	98.36	137,220	9,001,611	99.88
2003	9,468,734	9,279,094	98.00	167,673	9,446,767	99.77
2004	9,608,324	9,434,739	98.19	152,576	9,587,315	99.78

(1) Does not include penalty and interest on late payment of taxes

# City of Grosse Pointe Farms, Michigan

## Computation of Legal Debt Margin June 30, 2004

<b>Debt Limit</b> - 2003 State equalized valuation	\$ 711,162,036
	<u>0.10</u>
Debt limit (10 percent of equalized value)(1)	71,116,204
<b>Debt Applicable to Debt Limit</b>	
Total bonded debt	\$ 9,800,000
Less deductions allowed by law - Water and sewer improvements revenue bond	<u>100,000</u>
Total amount of debt applicable to limit	<u>9,700,000</u>
<b>Legal Debt Margin</b>	<u><u>\$ 61,416,204</u></u>

(1) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. as amended by Act 42, P.A. 1960

# City of Grosse Pointe Farms, Michigan

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	Debt Service Requirements			Total General Expenditures (1)	Ratio of Debt Service to General Expenditures
	Principal	Interest and Fiscal Charges	Total		
1995	\$ 85,000	\$ 79,660	\$ 164,660	\$ 11,780,506	1.40
1996	90,000	72,755	162,755	9,487,391	1.72
1997	95,000	65,849	160,849	10,072,230	1.57
1998	100,000	58,418	158,418	10,420,417	1.52
1999	285,000 (2)	52,713	337,713	9,901,538	3.41
2000	65,000	28,650	93,650	9,421,207	0.99
2001	65,000	24,110	89,110	10,003,428	0.89
2002	70,000	19,603	89,603	11,257,824	0.80
2003	75,000	14,976	89,976	13,284,028	0.68
2004	85,000	9,055	94,055	12,117,926	0.78

(1) Includes General, Special Revenue, Capital Projects, and Debt Service Funds

(2) Includes advance payment of \$145,000

# City of Grosse Pointe Farms, Michigan

## Revenue Bond Coverage Water and Sewer Improvement Bonds Last Ten Fiscal Years

Fiscal Year Ended June 30	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (Percentage) (1)
		Net of Depreciation and Interest		Principal	Interest	Total	
1995	\$ 2,369,469	\$ 2,124,163	\$ 245,306	\$ 50,000	\$ 52,367	\$ 102,367	240
1996	2,506,265	2,189,557	316,708	75,000	47,371	122,371	259
1997	2,330,959	2,049,993	280,966	75,000	43,240	118,240	238
1998	2,577,093	2,600,576	(23,483)	75,000	38,763	113,763	N/A
1999	2,808,237	2,556,575	251,662	75,000	34,344	109,344	230
2000	3,136,004	2,744,140	391,864	75,000	41,904	116,904	335
2001	2,972,025	2,978,925	(6,900)	75,000	27,188	102,188	N/A
2002	3,027,640	2,504,654	522,986	100,000	21,825	121,825	429
2003	3,234,203	3,038,778	195,425	100,000	9,425	109,425	179
2004	3,047,364	3,239,973	(192,609)	100,000	3,150	103,150	N/A

(1) Revenue bond coverage is equal to net revenue available for debt service divided by total debt service requirements.

# City of Grosse Pointe Farms, Michigan

## Assessed and Estimated Actual Valuation of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Assessed Valuation	Personal Assessed Valuation	Total Valuation	Percent of True Value (1)
1995	\$ 509,624,160	\$ 6,502,070	\$ 516,126,230	50
1996	521,827,981	6,849,210	528,677,191	50
1997	533,571,682	7,251,320	540,823,002	50
1998	552,542,469	7,745,010	560,287,479	50
1999	571,577,044	7,518,690	579,095,734	50
2000	589,946,179	7,893,670	597,839,849	50
2001	613,930,439	7,990,500	621,920,939	50
2002	648,369,843	8,296,600	656,666,443	50
2003	681,225,294	7,980,300	689,205,594	50
2004	703,011,806	8,150,230	711,162,036	50

(1) In accordance with the 1970 State of Michigan Constitution, the assessed value is 50 percent of appraised or estimated value.

# City of Grosse Pointe Farms, Michigan

## Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years (per \$1,000 of assessed valuation)

Fiscal Year Ended June 30	City of Grosse Pointe Farms	Overlapping Governments				Total
		Grosse Pointe Public School System	Grosse Pointe Public Library	Wayne County	Wayne County Community College	
1995	11.75	14.57	-	9.92	1.28	37.52
1996	11.75	14.16	1.20	10.25	1.28	38.64
1997	11.75	14.16	1.16	10.50	1.21	38.78
1998	11.75	13.91	1.16	10.50	1.20	38.52
1999	12.25	13.95	1.14	10.50	1.15	38.99
2000	12.25	13.78	1.14	10.45	1.02	38.64
2001	13.75	13.42	1.50	10.00	1.00	39.67
2002	13.75	13.13	1.63	10.12	2.50	41.13
2003	13.75	12.83	1.61	12.10	2.49	42.78
2004	13.50	13.44	1.58	12.10	2.48	43.10

# City of Grosse Pointe Farms, Michigan

## Principal Taxpayers June 30, 2004

Taxpayer	2003 Assessed Valuation	Percent of Total Assessed Valuation
Country Club of Detroit	\$ 6,563,400	0.92
Kercheval Development Co.	4,288,000	0.60
Edsel B. Ford II - Cynthia	3,395,100	0.48
Anthony-Darlene Soave	2,982,700	0.42
Ray Cracchiolo	2,765,100	0.39
Detroit Edison Company	2,576,400	0.36
Richard Crawford	2,359,800	0.33
Josephine Ford	2,172,900	0.31
Premiere Equities GP, LLC	1,930,700	0.27
Michael Fisher	1,923,700	0.27
Total	<b>\$ 30,957,800</b>	<b>4.35</b>

# City of Grosse Pointe Farms, Michigan

## Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita Last Ten Fiscal Years

Fiscal Year Ended June 30	Assessed Value	Estimated Population	Gross Bonded Debt Outstanding	Debt Payable from Enterprise Water and Sewer Fund	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	\$ 516,126,230	10,092 (1)	\$ 1,870,000	\$ 850,000	\$ 1,020,000	0.20	\$ 101.07
1996	528,677,191	10,092 (1)	1,705,000	775,000	930,000	0.18	92.15
1997	540,823,002	10,092 (1)	1,535,000	700,000	835,000	0.15	82.74
1998	560,287,479	10,092 (1)	1,360,000	625,000	735,000	0.13	72.83
1999	579,095,734	10,092 (1)	1,000,000	550,000	450,000	0.08	44.59
2000	597,839,849	10,092 (1)	11,690,000	11,305,000	385,000	0.06	38.15
2001	621,920,939	9,764 (2)	11,550,000	11,230,000	320,000	0.05	32.77
2002	656,666,443	9,764 (2)	10,980,000	10,730,000	250,000	0.04	25.60
2003	689,205,594	9,764 (2)	10,400,000	10,225,000	175,000	0.03	17.92
2004	711,162,036	9,764 (2)	9,800,000	9,710,000	90,000	0.01	9.22

(1) 1990 Federal Census

(2) 2000 Federal Census



# City of Grosse Pointe Farms, Michigan

## Computation of Direct and Overlapping Debt June 30, 2004

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Grosse Pointe Farms	Amount Applicable to Grosse Pointe Farms
City of Grosse Pointe Farms	\$ 9,800,000	100.00	\$ 9,800,000
County of Wayne	122,525,993	1.23	1,507,070
Grosse Pointe Public Library	9,900,000	19.30	1,910,700
Wayne County Community College	76,105,000	1.96	1,491,658
Grosse Pointe School District	<u>65,375,000</u>	19.30	<u>12,617,375</u>
Total	<u><b>\$ 283,705,993</b></u>		<u><b>\$ 27,326,803</b></u>

Source: Municipal Advisory Council of Michigan, Detroit, Michigan

## City of Grosse Pointe Farms, Michigan

### Labor Agreements

Name	Expiration Date	Number of Employees Covered
Police Officers Association of Michigan - Public safety officers, dispatchers, and firefighters	06/30/04	40
Teamsters State, County, and Municipal Workers Local 214 - Public Works employees	06/30/05	31
Police Officers Labor Council, Command Officers Association	06/30/05	5

# City of Grosse Pointe Farms, Michigan

## Miscellaneous Statistical Data

Present Charter Adopted December 12, 1949  
 Fiscal year begins July 1  
 Form of government Council - Manager  
 Area incorporated 3.19 square miles (2,042 acres)

### Election Data

Registered voters, 11/2003	8,163
Votes cast, election 11/2003	2,788
Percent voting	34
Registered voters, 11/2004	8,282
Votes cast, election 11/2004	6,656
Percent voting	80

### Public Safety Protection

Stations	1
Number of public safety officers	35
Radio equipment	2-way
Number of fire specialists	4

### Building Data

1992 - 151 permits	\$ 11,176,127
1993 - 136 permits	4,890,180
1994 - 157 permits	8,647,090
1995 - 204 permits	7,516,220
1996 - 155 permits	8,708,129
1997 - 154 permits	10,413,802
1998 - 160 permits	9,212,141
1999 - 166 permits	15,621,071
2000 - 170 permits	11,040,632
2001 - 241 permits	19,102,650
2002 - 169 permits	5,823,961
2003 - 153 permits	9,355,325

### Sewers

Combination storm and sanitary	36 miles
Storm sewers	18 miles
Sanitary sewers	18 miles

### Population Data

1910 federal census	862
1920 federal census	1,649
1930 federal census	3,533
1940 federal census	7,217
1950 federal census	9,410
1960 federal census	12,172
1970 federal census	11,701
1980 federal census	10,551
1990 federal census	10,092
2000 federal census	9,764

### Marina Data

Seasonal boat wells	291
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### Number of Employees

Full-time personnel	102
Part-time personnel, summer and fall	55

### Parking System

Parking lots:	
Metered - 3	114 spaces
Free - 1	11 spaces
Attended - 1	183 spaces
Street meters	389 spaces

### Streets

Miles of streets:	
Major	11.18
Local	27.07
Street lights:	
Overhead	85
Ornamental	61
Ornamental long-span	808

### Water Plant

City regular	4,145
City of Grosse Pointe	2,075
Maximum daily capacity	12,000,000 gd
Average pumpage per day	3,400,000 gd
Miles in water mains	42.34
Fire hydrants	500

### Recreation Data

Public parks	2
Tennis courts	4
Public beach	1
Swimming pools	2



October 29, 2004

Honorable Mayor  
and Members of the City Council  
City of Grosse Pointe Farms  
90 Kerby Road  
Grosse Pointe Farms, MI 48236

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Grosse Pointe Farms for the year ended June 30, 2004. We offer the following items of an informational nature for your consideration as the policy making body of the City:

### STATE REVENUE SHARING

State shared revenue accounts for approximately 7% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to the State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The table below details actual state shared revenue for the City since fiscal year 2001 in comparison to state shared revenue if the revenue payments would have increased at the rate of inflation.

<u>Fiscal Year</u>	<u>Actual Revenue Sharing</u>	<u>Revenue Sharing if City Received Inflationary Increases</u>	<u>Cumulative Reduction From 2001</u>
2001	\$1,061,567	\$1,091,386	\$ 29,819
2002	\$1,035,694	\$1,126,310	\$ 120,435
2003	\$ 927,456	\$1,162,352	\$ 355,331
2004	\$ 862,348	\$1,179,788	\$ 672,771
2005 – Estimate	\$ 862,348	\$1,206,923	\$1,017,346

We will continue to update the City as developments occur.

### **NEW AUDITING STANDARD**

Designing and maintaining a sound system of internal controls over assets, as well as fraud prevention and detection, are on the forefront in today's accounting environment. As part of our audit of the City's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit," the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with members of the City Council, administration and other employees throughout the City; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. We are pleased to report that no significant fraud risk factors or instances of fraud were identified as a result of our procedures.

### **FUNDING OF POST-EMPLOYMENT BENEFIT OBLIGATIONS**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government-wide financial statements*, rather than the individual fund level. As a result, the City will need to continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to a pre-funding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. We recommend that the City continue its proactive efforts to monitor and fund this future expenditure. The statement will not be effective until the City's 2008-09 fiscal year.



Honorable Mayor  
and Members of the City Council  
City of Grosse Pointe Farms

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October 29, 2004

#### **WATER RATE DETERMINATION AGREEMENT**

The City has a contract with a neighboring community that establishes a methodology to annually measure and reset the water rate utilized for water sales between the communities. The methodology for determining rates contains fixed cost allocations for depreciation and interest expense. It appears that these fixed components have not been adjusted since the contract was last renewed in 1980. Currently, interest and depreciation account for approximately 3.96% of the overall rate calculation. Comparatively, in 1980, these components account for 10.99% of overall amount charged.

We recommend that the City consider reviewing the contract to ensure that the rates being charged properly reimburse the City for its costs to manage and maintain the water system.

We have also written a separate communication to the City's audit committee, which covers more detailed accounting items, such as our audit responsibilities, accounting policies and the use of estimates in the financial statements. We would like to thank the City for the courtesy and cooperation extended to us during this audit. We would be happy to answer any questions you may have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations with you at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Mark R. Hurst



Nate A. Lewis